

TOWN OF PORT HEDLAND
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9 to 55
Independent Audit Report	56 & 57

TOWN OF PORT HEDLAND

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

LOCAL GOVERNMENT ACT 1995

LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Town of Port Hedland being the annual financial report and other information for the financial year ended 30th June 2010 are in my opinion properly drawn up to present fairly the financial position of the Town of Port Hedland at 30th June 2010 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 22 day of March 2010.



Paul Martin
Chief Executive Officer

**TOWN OF PORT HEDLAND
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2010**

	NOTE	2010 \$	2010 Budget \$	2009 \$
REVENUE				
Rates	22	11,335,260	11,206,234	10,127,792
Operating Grants, Subsidies and Contributions	28	3,316,330	4,309,559	7,670,669
Fees and Charges	27	17,888,849	12,885,459	12,632,960
Interest Earnings	2(a)	1,863,451	1,920,334	957,714
Other Revenue		434,907	558,407	266,725
		<u>34,838,797</u>	<u>30,879,993</u>	<u>31,655,860</u>
EXPENSES				
Employee Costs		(11,170,036)	(10,971,122)	(10,270,229)
Materials and Contracts		(9,848,939)	(8,783,232)	(7,829,319)
Utility Charges		(1,677,418)	(1,194,209)	(1,317,827)
Depreciation on Non-Current Assets	2(a)	(4,847,366)	(5,001,766)	(4,177,831)
Interest Expenses	2(a)	(340,626)	(601,409)	(238,479)
Insurance Expenses		(655,814)	(589,550)	(447,041)
Other Expenditure		(1,170,847)	(1,128,809)	(990,140)
		<u>(29,711,046)</u>	<u>(28,270,097)</u>	<u>(25,270,866)</u>
		5,127,751	2,609,896	6,384,994
Non-Operating Grants, Subsidies and Contributions	28	9,610,522	33,667,055	33,688,222
Profit on Asset Disposals	20	10,532	76,209	114,289
Loss on Asset Disposal	20	(15,634)	(216,573)	(228,818)
NET RESULT		14,733,171	36,136,587	39,958,687
Other Comprehensive Income				
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u><u>14,733,171</u></u>	<u><u>36,136,587</u></u>	<u><u>39,958,687</u></u>

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2010**

	NOTE	2010 \$	2010 Budget \$	2009 \$
REVENUE				
Governance		176,539	135,760	1,488,642
General Purpose Funding		15,169,559	15,130,732	14,293,134
Law, Order, Public Safety		227,383	270,301	744,232
Health		81,601	39,250	38,035
Education and Welfare		293,628	360,803	993,556
Housing		222,248	433,400	176,889
Community Amenities		5,476,777	3,769,269	3,617,899
Recreation and Culture		2,164,771	5,541,438	1,450,940
Transport		12,438,818	10,306,655	9,378,627
Economic Services		7,699,327	28,168,000	32,854,215
Other Property and Services		509,200	391,440	422,202
	2 (a)	<u>44,459,851</u>	<u>64,547,048</u>	<u>65,458,371</u>
EXPENSES EXCLUDING FINANCE COSTS				
Governance		(1,362,029)	(1,248,982)	(1,067,917)
General Purpose Funding		(397,272)	(310,836)	(529,835)
Law, Order, Public Safety		(903,831)	(1,012,151)	(710,939)
Health		(397,748)	(407,612)	(403,890)
Education and Welfare		(766,235)	(915,596)	(1,379,722)
Housing		(540,466)	(377,444)	(410,700)
Community Amenities		(5,190,501)	(4,579,757)	(4,106,492)
Recreation & Culture		(10,275,380)	(8,808,332)	(8,035,394)
Transport		(8,021,382)	(9,000,332)	(7,409,798)
Economic Services		(1,001,617)	(802,709)	(706,263)
Other Property and Services		(529,593)	(345,301)	(500,255)
	2 (a)	<u>(29,386,054)</u>	<u>(27,809,052)</u>	<u>(25,261,205)</u>
FINANCE COSTS				
Governance		(6,340)	(6,327)	(11,242)
Law, Order, Public Safety		(19,515)	(20,036)	(20,951)
Education and Welfare		(25,714)	(27,063)	(24,942)
Housing		(185,186)	(287,341)	(60,564)
Community Amenities		(23,856)	(46,290)	(36,051)
Recreation & Culture		(71,054)	(205,413)	(74,142)
Transport		(4,436)	(4,427)	(5,854)
Economic Services		(4,525)	(4,512)	(4,733)
	2 (a)	<u>(340,626)</u>	<u>(601,409)</u>	<u>(238,479)</u>
NET RESULT		<u>14,733,171</u>	<u>36,136,587</u>	<u>39,958,687</u>
Other Comprehensive Income				
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u>14,733,171</u>	<u>36,136,587</u>	<u>39,958,687</u>

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2010**

	NOTE	2010 \$	2009 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	44,937,866	43,192,407
Trade and Other Receivables	4	6,762,748	6,685,753
Inventories	5	7,334	31,144
TOTAL CURRENT ASSETS		<u>51,707,948</u>	<u>49,909,304</u>
NON-CURRENT ASSETS			
Other Receivables	4	1,142,742	735,741
Property, Plant and Equipment	6	36,059,859	31,831,429
Infrastructure	7	104,661,136	95,035,783
TOTAL NON-CURRENT ASSETS		<u>141,863,737</u>	<u>127,602,953</u>
TOTAL ASSETS		<u>193,571,685</u>	<u>177,512,257</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	5,530,004	6,252,987
Long Term Borrowings	9	697,759	617,796
Provisions	10	1,331,128	1,163,575
TOTAL CURRENT LIABILITIES		<u>7,558,891</u>	<u>8,034,358</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	5,994,359	4,164,861
Provisions	10	105,293	133,067
TOTAL NON-CURRENT LIABILITIES		<u>6,099,652</u>	<u>4,297,928</u>
TOTAL LIABILITIES		<u>13,658,543</u>	<u>12,332,286</u>
NET ASSETS		<u>179,913,142</u>	<u>165,179,971</u>
EQUITY			
Retained Surplus		138,687,643	129,914,564
Reserves - Cash Backed	11	40,372,971	34,412,879
Reserves - Asset Revaluation	12	852,528	852,528
TOTAL EQUITY		<u>179,913,142</u>	<u>165,179,971</u>

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2010**

NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 1 July 2008	115,267,852	9,100,904	852,528	125,221,284
Changes in Accounting Policy	0	0	0	0
Correction of Errors	0	0	0	0
Restated Balance	115,267,852	9,100,904	852,528	125,221,284
Net Result	39,958,687	0	0	39,958,687
Total Other Comprehensive Income	0	0	0	0
Reserve Transfers	(25,311,975)	25,311,975	0	0
Balance as at 30 June 2009	129,914,564	34,412,879	852,528	165,179,971
Net Result	14,733,171	0	0	14,733,171
Total Other Comprehensive Income	0	0	0	0
Reserve Transfers	(5,960,092)	5,960,092	0	0
Balance as at 30 June 2010	138,687,643	40,372,971	852,528	179,913,142

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2010**

	NOTE	2010 \$	2010 Budget \$	2009 \$
Cash Flows From Operating Activities				
Receipts				
Rates		11,335,260	10,982,108	10,056,384
Operating Grants, Subsidies and Contributions		3,316,330	4,309,559	4,348,089
Fees and Charges		17,875,980	11,811,671	12,632,960
Interest Earnings		1,863,451	1,920,334	957,714
Goods and Services Tax		1,754,826	0	1,490,841
Other Revenue		591,629	558,407	267,103
		<u>36,737,476</u>	<u>29,582,079</u>	<u>29,753,091</u>
Payments				
Employee Costs		(11,030,257)	(10,931,741)	(10,195,854)
Materials and Contracts		(10,548,112)	(8,051,296)	(3,431,121)
Utility Charges		(1,677,418)	(1,150,023)	(1,317,827)
Insurance Expenses		(655,814)	(589,550)	(447,041)
Interest expenses		(340,626)	(601,409)	(240,105)
Goods and Services Tax		(1,911,548)	0	(1,470,038)
Other Expenditure		(1,170,847)	(1,128,809)	(989,752)
		<u>(27,334,622)</u>	<u>(22,452,828)</u>	<u>(18,091,738)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>9,402,854</u>	<u>7,129,251</u>	<u>11,661,353</u>
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(6,564,248)	(36,964,149)	(7,024,125)
Payments for Construction of Infrastructure		(12,288,822)	(19,667,946)	(8,367,961)
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		9,610,522	33,667,055	33,688,222
Proceeds from Sale of Plant & Equipment		146,819	426,136	338,300
Net Cash Provided By (Used In) Investing Activities		<u>(9,095,729)</u>	<u>(22,538,904)</u>	<u>18,634,436</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(793,539)	(727,157)	(622,109)
Transfer of Self Supporting Loan		(500,000)	(350,000)	(420,000)
Proceeds from Self Supporting Loans		28,873	32,900	103,640
Proceeds from New Debentures		2,703,000	8,830,000	1,500,000
Net Cash Provided By (Used In) Financing Activities		<u>1,438,334</u>	<u>7,785,743</u>	<u>561,531</u>
Net Increase (Decrease) in Cash Held		1,745,459	(7,623,910)	30,857,320
Cash at Beginning of Year		43,192,407	20,354,190	12,335,087
Cash and Cash Equivalents at the End of the Year	13(a)	<u>44,937,866</u>	<u>12,730,280</u>	<u>43,192,407</u>

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2010**

	NOTE	2010 \$	2010 Budget \$
REVENUE			
Governance		176,539	135,760
General Purpose Funding		3,834,299	3,924,498
Law, Order, Public Safety		227,383	270,301
Health		81,601	39,250
Education and Welfare		293,628	360,803
Housing		222,248	433,400
Community Amenities		5,476,777	3,769,269
Recreation and Culture		2,164,771	5,541,438
Transport		12,438,818	10,382,865
Economic Services		7,699,327	28,183,000
Other Property and Services		509,200	391,440
		<u>33,124,591</u>	<u>53,432,024</u>
EXPENSES			
General Purpose Funding		(1,362,029)	(1,255,309)
Governance		(403,612)	(310,836)
Law, Order, Public Safety		(923,346)	(1,032,187)
Health		(397,748)	(407,612)
Education and Welfare		(791,949)	(942,660)
Housing		(725,652)	(664,784)
Community Amenities		(5,214,357)	(4,631,947)
Recreation & Culture		(10,346,434)	(8,930,154)
Transport		(8,025,818)	(9,158,659)
Economic Services		(1,006,146)	(807,222)
Other Property and Services		(529,593)	(345,300)
		<u>(29,726,684)</u>	<u>(28,486,670)</u>
Adjustments for Cash Budget Requirements:			
Non-Cash Expenditure and Revenue			
(Profit)/Loss on Asset Disposals		5,102	140,364
Movement in Employee Benefit Provisions		139,779	0
Depreciation and Amortisation on Assets		4,847,366	5,001,766
Capital Expenditure and Revenue			
Purchase Land Held for Resale			
Purchase Land and Buildings		(4,063,761)	(35,916,930)
Purchase Infrastructure Assets - Roads		(2,485,112)	(9,320,228)
Purchase Infrastructure Assets - Other		(9,803,710)	(15,264,704)
Purchase Plant and Equipment		(2,134,326)	(2,726,500)
Purchase Furniture and Equipment		(366,161)	(266,200)
Proceeds from Disposal of Assets		146,819	426,136
Repayment of Debentures		(793,539)	(727,157)
Transfers to Self Supporting Loans		(500,000)	(350,000)
Proceeds from New Debentures		2,703,000	8,830,000
Self-Supporting Loan Principal Income		28,873	32,900
Transfer from Trust		0	470,000
Transfers to Reserves (Restricted Assets)		(15,818,504)	(29,088,396)
Transfers from Reserves (Restricted Assets)		9,858,411	38,168,216
ADD Estimated Surplus/(Deficit) July 1 B/Fwd		9,647,473	4,439,147
LESS Estimated Surplus/(Deficit) June 30 C/Fwd		6,144,881	0
Amount Required to be Raised from Rates	22	<u><u>(11,335,264)</u></u>	<u><u>(11,206,232)</u></u>

This statement is to be read in conjunction with the accompanying notes.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), other mandatory professional reporting requirements and the Local Government Act 1995 (as amended) and accompanying regulations (as amended).

The report has also been prepared on the accrual basis under the convention of historical cost accounting as modified by the accounting treatment relating to the revaluation of financial assets and liabilities at fair value through profit and loss and certain classes of non-current assets.

Critical Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

(b) The Local Government Reporting Entity

All Funds through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 19 to this financial report.

(c) Goods and Services Tax

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the statement of financial position are stated inclusive of applicable GST.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short-term borrowings in current liabilities on the statement of financial position.

(e) Trade and Other Receivables

Trade receivables, which generally have 30 - 90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

General

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and interest incurred on the financing of that land during its development. Interest and holding charges incurred after development is complete are recognised as expenses.

Revenue arising from the sale of property is recognised in the statement of comprehensive income as at the time of signing a binding contract of sale.

Land held for resale is classified as current except where it is held as non-current based on Council's intention to release for sale.

(g) Fixed Assets

Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed includes the cost of all materials, direct labour and variable and fixed overheads.

Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ significantly from that determined using fair value at balance date.

Land under Roads

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB1051 - Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Council.

**TOWN OF PORT HEDLAND
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Depreciation of Non-Current Assets

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods are:

Buildings	30 to 50 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	4 to 15 years
Sealed roads and streets	
clearing and earthworks	not depreciated
construction/road base	50 years
original surfacing and	
major re-surfacing	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
clearing and earthworks	not depreciated
construction/road base	50 years
gravel sheet	12 years
Formed roads (unsealed)	
clearing and earthworks	not depreciated
construction/road base	50 years
Footpaths - slab	40 years
Sewerage piping	100 years
Water supply piping & drainage systems	75 years

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and Other Financial Assets

Classification

Council classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance date.

(i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and Other Financial Assets (Continued)

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when Council's right to receive payments is established. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

(j) Estimation of Fair Value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at balance date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment

In accordance with Australian Accounting Standards the Council's assets, other than inventories, are assessed at each balance date to determine whether there is any indication they may be impaired.

Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 '*Impairment of Assets*' and appropriate adjustments made.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(l) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Municipality prior to the end of the financial year that are unpaid and arise when the Municipality becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Employee Benefits

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

(i) Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)

The provision for employees' benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the municipality has a present obligation to pay resulting from employees services provided to balance date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

(ii) Long Service Leave (Long-term Benefits)

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

(n) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Provisions

Provisions are recognised when: The council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(p) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the company, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(q) Joint Venture

The municipality's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the relevant items reported in the statement of financial position and statement of comprehensive income. Information about the joint venture is set out in Note 16.

(r) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

(s) Superannuation

The Council contributes to the Local Government Superannuation Scheme and the Occupational Superannuation Fund. Both funds are defined contribution schemes.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on Council's intentions to release for sale.

(u) Rounding Off Figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar.

(v) Comparative Figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(w) Budget Comparative Figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2010.

Council's assessment of these new standards and interpretations is set out below:

Title and Topic	Issued	Applicable (*)	Impact
(i) AASB 9— Financial Instruments	December 2009	01 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 124— Related Party Disclosures	December 2009	01 January 2011	Nil – It is not anticipated the Council will have any related parties as defined by the Standard.
(iii) AASB 2009-5 - Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	May 2009	01 January 2010	Nil – The revisions are part of the AASB's annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFRSs. It is not anticipated these will have any effect on the Council.
(iv) AASB 2009-8 - Amendments to Australian Accounting Standards – Group Cash – Settled Share-based Payment Transactions [AASB 2]	July 2009	01 January 2010	Nil – The Council will not have applicable transactions.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

Title and Topic	Issued	Applicable (*)	Impact
(v) AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	December 2009	01 January 2011	Nil – The revisions embodied in this standard relate to standards which do not apply to local government (ie AASB8) or are largely editorial in nature and will have minimal effect (if any) on the accounting practices of the Council.
(vi) AASB 2009– 11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12)	December 2009	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (ii) above).
(vii) AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	December 2009	01 July 2010	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2010- 1 Amendment to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosure for First-time Adopters [AASB 1 & AASB 7]	February 2010	01 July 2010	

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

(vi) (Continued)	Title and Topic	Issued	Applicable (*)	Impact
	AASB 2009- 10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB132]	October 2009	01 February 2010	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
	Interpretation 19– Extinguishing Financial Liabilities with Equity Instruments	December 2009	01 July 2010	
	AASB 2009– 14 Amendments to Australian Interpretations – Prepayments of a minimum Funding Requirement [AASB Interpretation 14]	December 2009	01 January 2011	

Notes:

(*) Applicable to reporting periods commencing on or after the given date.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Adoption of New and Revised Accounting Standards

During the current year, the Council adopted all of the new and revised Australian Accounting Standards and Interpretations which became mandatory and which were applicable to its operations.

The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the Council.

AASB 101: Presentation of Financial Statements

In September 2007, the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Council's financial statements.

Disclosure Impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required owner changes in equity and other comprehensive income to be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either a single statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Council has adopted the single statement approach and the financial statements now contain a statement of comprehensive income.

Other Comprehensive Income – The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises income and expenses not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

2. REVENUE AND EXPENSES

(a) Net Result	2010	2009
	\$	\$
The Net Result includes:		
(i) Charging as an Expense:		
Auditors Remuneration		
- Audit	27,443	39,745
- Other Services	13,950	9,680
Depreciation		
Buildings	929,950	831,662
Furniture and Equipment	315,230	292,257
Plant and Equipment	938,717	825,154
Roads	1,341,316	1,304,027
Infrastructure - Airport	503,234	481,446
Infrastructure - Other	818,919	443,285
	<u>4,847,366</u>	<u>4,177,831</u>
Interest Expenses (Finance Costs)		
Debentures (<i>refer Note 21(a)</i>)	<u>340,626</u>	<u>238,479</u>
	<u>340,626</u>	<u>238,479</u>
Rental Charges		
- Operating Leases	<u>188,811</u>	<u>175,200</u>
(ii) Crediting as Revenue:		
	2010	2010
	\$	Budget
		\$
Interest Earnings		
Investments		
- Reserve Funds	1,508,340	629,900
- Other Funds	214,648	1,177,500
- Loans	28,630	32,834
Other Interest Revenue (<i>refer note 26</i>)	111,833	80,100
	<u>1,863,451</u>	<u>1,920,334</u>
	<u>1,863,451</u>	<u>957,714</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

The Town of Port Hedland is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

GOVERNANCE

Objective: To provide a decision making process for the efficient allocation of scarce resources.
Activities: administration and operation of facilities and services to members of Council. Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective: To collect revenue to allow for the provision of services.
Activities: Supervision of various by-laws, fire prevention, emergency services and animal.

LAW, ORDER, PUBLIC SAFETY

Objective: To provide services to help ensure a safer community.
Activities: Supervision of various by-laws, fire prevention, emergency services and animal control.

HEALTH

Objective: To provide an operational framework for good community health.
Activities: Food quality and pest control, and Aboriginal environmental health.

EDUCATION AND WELFARE

Objective: To meet the needs of the community in these areas.
Activities: Operation of senior and frail citizens' centres, day care centres and theatre; and assistance to playgroups, aged care and other voluntary services.

HOUSING

Objective: Help ensure adequate housing.
Activities: Maintenance of staff and community housing.

COMMUNITY AMENITIES

Objective: Provide services required by the community.
Activities: Rubbish collection services, operation of tips, administration of the town planning scheme, maintenance of cemeteries, maintenance of rest centre and storm water drainage maintenance.

RECREATION AND CULTURE

Objective: To establish and manage efficiently infrastructure and resources which will help the social well being of the community.
Activities: Maintenance of halls, aquatic centres, recreation centres and various reserves; operation of library and arts centre operations.

TRANSPORT

Objective: To provide effective and efficient transport services to the community.
Activities: Airport operations; construction and maintenance of streets, roads, bridges; cleaning and lighting of streets and depot maintenance.

ECONOMIC SERVICES

Objective: To help promote the Town and improve its economic wellbeing.
Activities: The regulation and provision of tourism, area promotion, building control, and cattleyards.

OTHER PROPERTY AND SERVICES

Activities: Private works operation, plant repairs and operation costs.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions	Opening Balance (*) 1-Jul-08 \$	Received (+) 2008/09 \$	Expended (#) 2008/09 \$	Closing Balance (*) 30-Jun-09 \$	Received (+) 2009/10 \$	Expended (#) 2009/10 \$	Closing Balance 30-Jun-10 \$
Grant/Contribution Function/ Activity							
BHP - Environmental Projects	49,838	0	0	49,838	0	0	49,838
Building Safety (Fire) Grant	25,000	0	0	25,000	0	(10,000)	15,000
Office of Crime Prevention (CSCPP)	20,000	0	0	20,000	0	0	20,000
Walk It Hedland	6,900	12,826	(6,900)	12,826	0	(12,391)	435
BHP - Hedland Turf Club Grandstand	100,000	0	0	100,000	0	0	100,000
PH Enhancement Scheme - Boat Ramp	40,000	0	(6,988)	33,012	0	(5,450)	27,562
PH Enhancement Scheme - Foreshore Park	150,000	0	(5,000)	145,000	0	(74,154)	70,846
PH Enhancement Scheme - Spoilbank Masterplan	996,428	0	(100,324)	896,104	0	(348,803)	547,301
Royalties for Regions - CLGF	0	1,308,594	0	1,308,594	0	(1,251,589)	57,005
Community Safety Contrib. CCTV	0	101,200	0	101,200	0	(101,200)	0
Foreshore Protection Grant	0	10,284	0	10,284	0	(10,284)	0
Pilbara Development Commission - Turtle BW	0	392,500	0	392,500	0	(251,527)	140,973
Regional and Community Grant	0	194,411	0	194,411	0	(194,411)	0
RADS Grant - Airport Development	0	155,848	0	155,848	0	(155,848)	0
DOTARS Grant - Airport Development	0	44,581	0	44,581	0	0	44,581
BHP - Town Entry Statement	0	46,709	0	46,709	0	(46,709)	0
Local Road Grant	0	0	0	0	439,607	0	439,607
R4R (Design for Port Hedland Today)	0	0	0	0	35,000	0	35,000
BHP Billiton Contrib, Port Hedland Future Today	0	0	0	0	60,000	0	60,000
R4R CCTV Stage 2	0	0	0	0	100,000	0	100,000
Dept Racing, L & Gambling - Club Funding	0	0	0	0	60,000	(53,798)	6,202
Lotteries Grant - Playground Development	0	0	0	0	105,000	(23,069)	81,931
Dept Housing - 09-10 Walkway Lighting 50%	0	0	0	0	27,500	(25,948)	1,552
BHP Billiton Cont. Walkwork Road Bridge 09-10	0	0	0	0	763,636	(20,563)	743,073
Federal Aboriginal Road Grant	0	0	0	0	31,500	(5,922)	25,578
Black Spot Funding Grant	0	0	0	0	52,000	(24,746)	27,254
MIRWA Direct Grant	0	0	0	0	99,766	(26,330)	73,436
Roads to Recovery 10-11 Carry over	0	0	0	0	356,155	0	356,155
Grant from DEWR - 40% Payment for Dole Partici	0	0	0	0	41,212	0	41,212
BHP/Dept RDL - Joint Project Officer	0	0	0	0	36,364	(3,413)	32,951
	1,388,166	2,266,953	(119,212)	3,535,907	2,207,740	(2,646,154)	3,097,493

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

	2010	2009
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	1,467,402	5,243,622
Restricted	<u>43,470,464</u>	<u>37,948,785</u>
	<u>44,937,866</u>	<u>43,192,407</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Leave Reserve	941,931	897,283
Airport Reserve	6,808,985	4,175,516
Plant Reserve	260,000	0
Car Parking Reserve	150,924	144,896
Planning Projects Reserve	0	0
Waste Management Reserve	323,852	837,075
Bushfire Management Reserve	0	0
Lights Replacement Reserve	36,380	34,656
Depot Facilities Reserve	14,704	14,007
Oval Development Reserve	0	0
Cattleyard Reserve	0	0
BHP-TPRH Alliance Reserve	0	0
South Hedland Library Reserve	12,970	12,355
SES Shed Reserve	31,375	29,888
Planning Permeability Reserve	0	0
Waste Management Recycle Reserve	403,255	384,140
BHP Reserve	13,384,242	7,137,115
Civil Building / Infrastructure Reserve	83,525	76,896
Newcrest Reserve	2,274	1,853
Spoilbank Reserve	490,446	467,198
Royalties for Regions Reserve	17,189,695	20,200,000
Community Facilities Reserve	238,413	0
Unspent Grants	3,097,493	3,535,907
	<u>43,470,464</u>	<u>37,948,785</u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	148,325	124,488
Sundry Debtors	6,251,180	6,052,428
Provision for Doubtful Debts	(24,981)	(24,981)
GST Receivable	156,722	785
Loans - Clubs/Institutions	25,846	28,639
Other Receivables	101,971	0
Accrued Income	103,685	504,394
	<u>6,762,748</u>	<u>6,685,753</u>
Non-Current		
Rates Outstanding - Pensioners	19,279	18,840
Service Charges - Underground Power	83,579	207,823
Sundry Debtors	262,896	206,010
Loans - Clubs/Institutions	776,988	303,068
	<u>1,142,742</u>	<u>735,741</u>
5. INVENTORIES		
Current		
Fuel	2,993	5,795
Matt Dann Kiosk	2,597	0
JD Hardie Centre	1,744	0
Café Stock	0	25,349
	<u>7,334</u>	<u>31,144</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

	2010	2009
	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT		
Land - Cost	<u>1,290,632</u>	<u>1,246,108</u>
	1,290,632	1,246,108
Land and Buildings - Cost	36,259,132	32,239,895
Less Accumulated Depreciation	<u>(9,768,427)</u>	<u>(8,838,477)</u>
	26,490,705	23,401,418
Furniture and Equipment - Cost	4,551,608	4,185,447
Less Accumulated Depreciation	<u>(3,288,513)</u>	<u>(2,973,283)</u>
	1,263,095	1,212,164
Plant and Equipment - Cost	13,751,527	11,918,953
Less Accumulated Depreciation	<u>(6,736,100)</u>	<u>(5,947,214)</u>
	7,015,427	5,971,739
	<u>36,059,859</u>	<u>31,831,429</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land \$	Land & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Total \$
Balance as at 1 July 2009	1,246,108	23,401,418	1,212,164	5,971,739	31,831,429
Additions	44,524	4,019,237	366,161	2,134,326	6,564,248
(Disposals)	0	0	0	(151,921)	(151,921)
Revaluation - Increments	0	0	0	0	0
- (Decrements)	0	0	0	0	0
Impairment - (losses)	0	0	0	0	0
- reversals	0	0	0	0	0
Depreciation (Expense)	0	(929,950)	(315,230)	(938,717)	(2,183,897)
Other Movements	0	0	0	0	0
Balance as at 30 June 2010	<u>1,290,632</u>	<u>26,490,705</u>	<u>1,263,095</u>	<u>7,015,427</u>	<u>36,059,859</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

	2010 \$	2009 \$
7. INFRASTRUCTURE		
Roads - Cost	78,738,421	76,253,309
Less Accumulated Depreciation	<u>(18,696,568)</u>	<u>(17,355,252)</u>
	60,041,853	58,898,057
Footpaths - Cost	8,684,053	8,071,575
Less Accumulated Depreciation	<u>(2,405,995)</u>	<u>(2,398,820)</u>
	6,278,058	5,672,755
Drainage - Cost	9,720,025	9,568,647
Less Accumulated Depreciation	<u>(3,084,996)</u>	<u>(2,956,856)</u>
	6,635,029	6,611,791
Parks & Ovals - Cost	26,267,692	18,178,876
Less Accumulated Depreciation	<u>(5,039,817)</u>	<u>(4,399,608)</u>
	21,227,875	13,779,268
Bridges - Cost	643,910	623,347
Less Accumulated Depreciation	<u>(332,892)</u>	<u>(323,742)</u>
	311,018	299,605
Bus Shelters - Cost	205,185	205,185
Less Accumulated Depreciation	<u>(98,268)</u>	<u>(77,749)</u>
	106,917	127,436
Depot - Cost	549,029	549,029
Less Accumulated Depreciation	<u>(124,793)</u>	<u>(111,067)</u>
	424,236	437,962
Airport - Cost	20,279,905	19,349,430
Less Accumulated Depreciation	<u>(10,643,755)</u>	<u>(10,140,521)</u>
	9,636,150	9,208,909
	<u>104,661,136</u>	<u>95,035,783</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	Roads \$	Footpaths \$	Drainage \$	Parks and Ovals \$	Bridges \$	Bus Shelters \$	Depots \$	Airport \$	Total \$
Balance as at 1 July 2009	58,898,057	5,672,755	6,611,791	13,779,268	299,605	127,436	437,962	9,208,909	95,035,783
Additions	2,485,112	612,478	151,378	8,088,816	20,563	0	0	930,475	12,288,822
(Disposals)	0	0	0	0	0	0	0	0	0
Revaluation - Increments - (Decrements)	0	0	0	0	0	0	0	0	0
Impairment - (losses) - reversals	0	0	0	0	0	0	0	0	0
Depreciation (Expense)	(1,341,316)	(7,175)	(128,140)	(640,209)	(9,150)	(20,519)	(13,726)	(503,234)	(2,663,469)
Other Movements	0				0	0			0
Balance as at 30 June 2010	60,041,853	6,278,058	6,635,029	21,227,875	311,018	106,917	424,236	9,636,150	104,661,136

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

	2010	2009
	\$	\$

8. TRADE AND OTHER PAYABLES

Current

Sundry Creditors	3,808,722	6,232,232
Prepayments	1,652,880	0
Accrued Interest on Debentures	19,789	20,755
Accrued Salaries and Wages	48,613	0
	<u>5,530,004</u>	<u>6,252,987</u>

9. LONG-TERM BORROWINGS

Current

Secured by Floating Charge Debentures	697,759	617,796
	<u>697,759</u>	<u>617,796</u>

Non-Current

Secured by Floating Charge Debentures	5,994,359	4,164,861
	<u>5,994,359</u>	<u>4,164,861</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

Current

Provision for Annual Leave	782,743	696,802
Provision for Long Service Leave	144,260	122,285
Provision for Sick Leave	404,125	344,488
	<u>1,331,128</u>	<u>1,163,575</u>

Non-Current

Provision for Long Service Leave	105,293	133,067
	<u>105,293</u>	<u>133,067</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010 \$	2010 Budget \$	2009 \$
11. RESERVES - CASH BACKED			
(a) Leave Reserve			
Opening Balance	897,283	848,359	858,099
Amount Set Aside / Transfer to Reserve	44,648	33,900	39,184
Amount Used / Transfer from Reserve	0	0	0
	<u>941,931</u>	<u>882,259</u>	<u>897,283</u>
(b) Waste Management Reserve			
Opening Balance	837,075	997,074	1,322,856
Amount Set Aside / Transfer to Reserve	1,752,483	534,702	636,345
Amount Used / Transfer from Reserve	(2,265,706)	(1,454,963)	(1,122,126)
	<u>323,852</u>	<u>76,813</u>	<u>837,075</u>
(c) Plant Reserve			
Opening Balance	0	142	69,872
Amount Set Aside / Transfer to Reserve	260,000	260,000	2,787
Amount Used / Transfer from Reserve	0	0	(72,659)
	<u>260,000</u>	<u>260,142</u>	<u>0</u>
(d) Bushfire Management Reserve			
Opening Balance	0	194	18,474
Amount Set Aside / Transfer to Reserve	183	0	968
Amount Used / Transfer from Reserve	(183)	(194)	(19,442)
	<u>0</u>	<u>0</u>	<u>0</u>
(e) Lights Replacement Reserve			
Opening Balance	34,656	25,543	33,143
Amount Set Aside / Transfer to Reserve	1,724	1,000	1,513
Amount Used / Transfer from Reserve	0	0	0
	<u>36,380</u>	<u>26,543</u>	<u>34,656</u>
(f) Cattleyard Reserve			
Opening Balance	0	497	33,196
Amount Set Aside / Transfer to Reserve	0	0	918
Amount Used / Transfer from Reserve	0	(497)	(34,114)
	<u>0</u>	<u>0</u>	<u>0</u>
(g) Car Parking Reserve			
Opening Balance	144,896	131,623	23,923
Amount Set Aside / Transfer to Reserve	6,028	18,300	120,973
Amount Used / Transfer from Reserve	0	0	0
	<u>150,924</u>	<u>149,923</u>	<u>144,896</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010 \$	2010 Budget \$	2009 \$
11. RESERVES - CASH BACKED (Cont.)			
(h) Planning Projects Reserve			
Opening Balance	0	435	41,775
Amount Set Aside / Transfer to Reserve	130	0	1,670
Amount Used / Transfer from Reserve	(130)	(435)	(43,445)
	<u>0</u>	<u>0</u>	<u>0</u>
(i) Oval Development Reserve			
Opening Balance	0	(733)	6,387
Amount Set Aside / Transfer to Reserve	15	733	248
Amount Used / Transfer from Reserve	(15)	0	(6,635)
	<u>0</u>	<u>0</u>	<u>0</u>
(j) Depot Facilities Reserve			
Opening Balance	14,007	14,396	13,396
Amount Set Aside / Transfer to Reserve	697	600	611
Amount Used / Transfer from Reserve	0	0	0
	<u>14,704</u>	<u>14,996</u>	<u>14,007</u>
(k) Airport Reserve			
Opening Balance	4,175,516	3,862,056	3,746,916
Amount Set Aside / Transfer to Reserve	4,312,782	1,554,553	2,456,809
Amount Used / Transfer from Reserve	(1,679,313)	(1,385,000)	(2,028,209)
	<u>6,808,985</u>	<u>4,031,609</u>	<u>4,175,516</u>
(l) BHP Billiton - ToPH Alliance Reserve			
Opening Balance	0	2,279	366,749
Amount Set Aside / Transfer to Reserve	938	0	14,279
Amount Used / Transfer from Reserve	(938)	(2,279)	(381,028)
	<u>0</u>	<u>0</u>	<u>0</u>
(m) South Hedland Library Reserve			
Opening Balance	12,355	12,615	11,815
Amount Set Aside / Transfer to Reserve	615	500	540
Amount Used / Transfer from Reserve	0	0	0
	<u>12,970</u>	<u>13,115</u>	<u>12,355</u>
(n) SES Shed Reserve			
Opening Balance	29,888	30,490	28,690
Amount Set Aside / Transfer to Reserve	1,487	1,200	1,198
Amount Used / Transfer from Reserve	0	0	0
	<u>31,375</u>	<u>31,690</u>	<u>29,888</u>
(o) BHP Reserve			
Opening Balance	7,137,115	8,862,521	1,521,404
Amount Set Aside / Transfer to Reserve	8,501,138	5,854,500	8,100,215
Amount Used / Transfer from Reserve	(2,254,011)	(14,463,967)	(2,484,504)
	<u>13,384,242</u>	<u>253,054</u>	<u>7,137,115</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010 \$	2010 Budget \$	2009 \$
11. RESERVES - CASH BACKED (Cont.)			
(p) Newcrest Reserve			
Opening Balance	1,853	101,410	1,410
Amount Set Aside / Transfer to Reserve	421	104,100	100,443
Amount Used / Transfer from Reserve	0	(100,000)	(100,000)
	<u>2,274</u>	<u>105,510</u>	<u>1,853</u>
(q) Planning Permeability Reserve			
Opening Balance	0	881	81,541
Amount Set Aside / Transfer to Reserve	256	0	3,261
Amount Used / Transfer from Reserve	(256)	(881)	(84,802)
	<u>0</u>	<u>0</u>	<u>0</u>
(r) Waste Management & Recycling Reserve			
Opening Balance	384,140	393,465	367,365
Amount Set Aside / Transfer to Reserve	19,115	15,700	16,775
Amount Used / Transfer from Reserve	0	0	0
	<u>403,255</u>	<u>409,165</u>	<u>384,140</u>
(s) Civil Building / Infrastructure Reserve			
Opening Balance	76,896	(8)	553,892
Amount Set Aside / Transfer to Reserve	6,629	8	8,710
Amount Used / Transfer from Reserve	0	0	(485,706)
	<u>83,525</u>	<u>0</u>	<u>76,896</u>
(t) Spoilbank Reserve			
Opening Balance	467,198	464,000	0
Amount Set Aside / Transfer to Reserve	23,248	18,600	467,198
Amount Used / Transfer from Reserve	0	(70,000)	0
	<u>490,446</u>	<u>412,600</u>	<u>467,198</u>
(u) Royalties for Regions Reserve			
Opening Balance	20,200,000	0	20,200,000
Amount Set Aside / Transfer to Reserve	647,554	20,690,000	
Amount Used / Transfer from Reserve	(3,657,859)	(20,690,000)	
	<u>17,189,695</u>	<u>0</u>	<u>20,200,000</u>
(v) Community Facilities Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	238,413	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>238,413</u>	<u>0</u>	<u>0</u>
TOTAL CASH BACKED RESERVES	<u>40,372,971</u>	<u>6,667,419</u>	<u>34,412,879</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

11. RESERVES - CASH BACKED (Cont.)

All of the cash backed reserve accounts are supported by money held in financial institutions and match the amounts shown as restricted cash in Note 3.

In accordance with Council resolutions in relation to each reserve account, the purpose for which the reserves are set aside are as follows:

Leave Reserve

- to be used to fund annual and long service leave requirements.

Waste Management Reserve

- to fund Council's waste management facilities, including landfill and waste collection operations.

Plant Reserve

- to be used for the purchase of major plant on an ongoing basis.

Bushfire Management Reserve

- to be used for the replacement of Bush Fire plant and equipment.

Lights Replacement Reserve

- to be used for the upgrading and replacement of oval lights on an ongoing basis.

Cattleyard Reserve

- to be used for the future upgrade and maintenance of the cattle yards on an ongoing basis.

Car Parking Reserve

- to be used to fund new car parking facilities when required. Funds come from developers and are restricted to specific purposes.

Planning Projects Reserve

- to be used to fund any unexpected costs should the need arise and is ongoing.

Oval Development Reserve

- to be used for future upgrade and maintenance of the sporting ovals within the municipality.

Depot Facilities reserve

- to be used for the depot upgrade.

Airport Reserve

- to fund the ongoing and future operation of the Port Hedland International Airport

BHP Billiton - ToPH Alliance Reserve

- to be used to support Community Services and such projects as agreed upon by BHP Billiton and Town of Port Hedland.

South Hedland Library Reserve

- to be used to fund South Hedland library upgrade / extension.

SES Shed Reserve

- to hold funds associated with the construction of the SES Shed at the Airport.

BHP Reserve

- to hold funds contributed by BHP to assist the Council in achieving the Strategic Plan.

Newcrest Reserve

- to hold funds contributed by Bewcreat Mining to assist Council in achieving the Strategic Plan.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
TOWN OF PORT HEDLAND**

11. RESERVES - CASH BACKED (Cont.)

Planning Permeability Reserve

- to fund future traffic permeability management facilities.

Waste Management & Recycling Reserve

- to fund future waste recycling products.

Civil Building / Infrastructure Reserve

- to fund the upgrade of existing buildings, the construction of existing buildings, and the establishment of associated infrastructure.

Spoilbank Reserve

- for development projects on the Port Hedland Spoilbank Reserve.

Royalties for Regions Reserve

- to hold funds associated with contributions from the State Government to fund Royalties for Regions projects to assist Council in achieving the Strategic Plan.

Community Facilities Reserve

- For the development and upgrade of community infrastructure within the Town of Port Hedland.

Reserves are not expected to be utilised within a set period as further transfers to reserve accounts are expected as funds are utilised.

12. RESERVES - ASSET REVALUATION

2010

2009

\$

\$

Asset revaluation reserves have arisen on revaluation of the following classes of assets:

(a) Land and Buildings

Balance as at 1 July 2009

662,217

662,217

Revaluation Increment

0

0

Revaluation Decrement

0

0

Balance as at 30 June 2010

662,217

662,217

(b) Roads

Balance as at 1 July 2009

190,311

190,311

Revaluation Increment

0

0

Revaluation Decrement

0

0

Balance as at 30 June 2010

190,311

190,311

TOTAL ASSET REVALUATION RESERVES

852,528

852,528

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

	2010 \$	2010 Budget \$	2009 \$
Cash and Cash Equivalents	<u>44,937,866</u>	<u>12,730,281</u>	<u>43,192,407</u>

(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net Result	14,733,171	36,136,587	39,958,687
Depreciation	4,847,366	5,001,766	4,177,831
(Profit)/Loss on Sale of Asset	5,102	140,364	114,528
(Increase)/Decrease in Receivables	(12,869)	(301,080)	(3,373,183)
(Increase)/Decrease in Inventories	23,810	(2,000)	(24,331)
Increase/(Decrease) in Payables	(722,983)	(159,845)	4,146,407
Increase/(Decrease) in Employee Provisions	139,779	(19,485)	349,636
Grants/Contributions for the Development of Assets	<u>(9,610,522)</u>	<u>(33,667,055)</u>	<u>(33,688,222)</u>
Net Cash from Operating Activities	<u>9,402,854</u>	<u>7,129,252</u>	<u>11,661,353</u>

**(c) Undrawn Borrowing Facilities
Credit Standby Arrangements**

Bank Overdraft limit	50,000	50,000
Bank Overdraft at Balance Date	0	0
Credit Card limit	11,000	11,000
Credit Card Balance at Balance Date	<u>(680)</u>	<u>0</u>
Total Amount of Credit Unused	<u>60,320</u>	<u>61,000</u>

Loan Facilities

Loan Facilities - Current	697,759	617,796
Loan Facilities - Non-Current	<u>5,994,359</u>	<u>4,164,861</u>
Total Facilities in Use at Balance Date	<u>6,692,118</u>	<u>4,782,657</u>

Unused Loan Facilities at Balance Date	<u>0</u>	<u>0</u>
---	----------	----------

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

14. CONTINGENT LIABILITIES

There were no known contingent liabilities at 30 June 2010.

15. CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

Nil	2010	2009
	\$	\$

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year	70,399	90,903
- later than one year but not later than five years	38,851	84,297
- later than five years	0	0
	<u>109,250</u>	<u>175,200</u>

(c) Capital Expenditure Commitments

Contracted for:

- Building expenditure projects	584,793	2,617,020
- Road expenditure projects	1,758,059	0
- Airport expenditure projects	5,995	0
- Drainage expenditure projects	20,844	0
- Footpaths expenditure projects	151,383	0
- Parks expenditure projects	2,313,674	0
- Land Development expenditure projects	28,300	0
- Furniture & equipment purchases	76,089	0
- Plant & equipment purchases	1,230,146	0
	<u>6,169,283</u>	<u>2,617,020</u>

Payable:

- not later than one year	6,169,283	2,617,020
---------------------------	-----------	-----------

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

16. JOINT VENTURE

The Town of Port Hedland together with the Pilbara Arts Craft Design Aboriginal Corporation (PACADC) have a joint venture arrangement to purchase the "Court House" in Edgar Street Port Hedland on a 50/50 basis. The purpose of the joint venture is to establish a community arts facility. The operations of the facility are recorded in the financial statements under Education and Welfare and described within Function 8 of the schedules. The only asset of the joint venture is the court house building. Council's half of the building is included in the asset register under Buildings as follows:

	2010	2009
	\$	\$
Non-Current Assets		
Buildings	445,668	445,668
Less: Accumulated Depreciation	<u>(67,514)</u>	<u>(56,372)</u>
	<u><u>378,154</u></u>	<u><u>389,296</u></u>

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	420,295	326,449
General Purpose Funding	9,290,806	1,129,044
Law, Order, Public Safety	3,698,979	973,587
Health	96,334,822	218,031
Education and Welfare	4,164,903	1,255,823
Housing	22,816,873	6,764,267
Community Amenities	439,588	4,023,380
Recreation and Culture	2,260,400	17,536,331
Transport	771,782	114,944,376
Economic Services	373,974	15,366,751
Other Property and Services	148,573	845,447
Unallocated	52,850,689	14,128,770
	<u><u>193,571,685</u></u>	<u><u>177,512,256</u></u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

	2010	2009	2008
18. FINANCIAL RATIOS			
Current Ratio	1.245	1.530	1.280
Untied Cash to Unpaid Trade Creditors Ratio	0.385	0.841	3.400
Debt Ratio	0.071	0.070	0.070
Debt Service Ratio	0.033	0.030	0.030
Gross Debt to Revenue Ratio	0.192	0.150	0.230
Gross Debt to Economically Realisable Assets Ratio	0.075	0.060	0.140
Rate Coverage Ratio	0.258	0.160	0.280
Outstanding Rates Ratio	0.013	0.010	0.010

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted current assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Untied Cash to Unpaid Trade Creditors Ratio	$\frac{\text{untied cash}}{\text{unpaid trade creditors}}$
Debt Ratio	$\frac{\text{total liabilities}}{\text{total assets}}$
Debt Service Ratio	$\frac{\text{debt service cost}}{\text{available operating revenue}}$
Gross Debt to Revenue Ratio	$\frac{\text{gross debt}}{\text{total revenue}}$
Gross Debt to Economically Realisable Assets Ratio	$\frac{\text{gross debt}}{\text{economically realisable assets}}$
Rate Coverage Ratio	$\frac{\text{net rate revenue}}{\text{operating revenue}}$
Outstanding Rates Ratio	$\frac{\text{rates outstanding}}{\text{rates collectable}}$

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

19. TRUST FUNDS

Funds held at balance date over which the District has no control and which are not included in the financial statements are as follows:

	Balance 1-Jul-09 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-10 \$
Special projects	1,300	0	0	1,300
Building Retention	4,616	0	0	4,616
Staff Bonds	12,096	2,920	1,420	13,596
Nomination Election Bonds	0	1,360	1,360	0
Ranger Services	820	1,600	1,320	1,100
Community bank	960	0	0	960
Deposits - Halls	10,800	35,000	21,550	24,250
Deposits - Trailer/ Comm Bus	400	0	0	400
Deposits - Sportsgrounds	10,690	12,750	9,400	14,040
POS Reserve	470,898	0	0	470,898
Blackrock Stakes Donations	178	0	0	178
Airport Cafe	6,897	9,232	0	16,129
BRB Levy	1,700	10,191	10,675	1,216
BCITF Levy	25,225	196,229	162,251	59,203
Unclaimed Money	1,908	639	0	2,547
Sundry	601	0	0	601
Garden Competition	0	4,850	0	4,850
MDCC Hire Events	0	0	0	0
Building Bonds	22,280	0	0	22,280
Cyclone George	162,540	14	32,298	130,256
	<u>733,909</u>			<u>768,419</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

20. DISPOSALS OF ASSETS - 2009/10 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Community Amenities						
P057 - Rubbish Truck	0	135,400	0	72,727	0	(62,673)
PH5171 - Tractor	0	4,100	9,425	10,000	9,425	5,900
					0	0
Transport					0	0
PH9639 - 4x2 Hilux Dual Cab	0	10,200	0	15,000	0	4,800
PH9681 - Prado Station Wagon	27,466	30,400	24,575	26,000	(2,891)	(4,400)
PH9682 - Prado GX Manual	28,086	0	19,091	0	(8,995)	0
PH10018 - Landcruiser Ute	0	34,800	0	25,000	0	(9,800)
PH9083 - Camry Sportivo	0	15,100	0	11,000	0	(4,100)
PH9689 - 4x2 Hilux Dual Cab	16,954	19,200	14,591	15,000	(2,363)	(4,200)
PH10069 - 4x2 Hilux Dual Cab	0	31,000	0	21,000	0	(10,000)
PH9782 - 4x4 Hilux Dual Cab	23,643	26,800	23,955	21,000	312	(5,800)
PH10290 - 4x4 Hilux Dual Cab	0	32,900	0	21,000	0	(11,900)
PH9383 - 4x2 Hilux Dual Cab	0	14,300	0	14,000	0	(300)
PH9582 - Prado Station Wagon	27,478	31,100	28,273	26,000	795	(5,100)
PH9912 - 4x4 Hilux Dual Cab	28,294	31,500	26,909	21,000	(1,385)	(10,500)
PH9199 - Roadsweeper	0	134,000	0	55,000	0	(79,000)
PH5246 - Mitsub. Canter Tray T	0	6,900	0	7,273	0	373
1AJB623 - Caterpillar Track Lo	0	0	0	25,000	0	25,000
PH4844 - Mits. Patching Truck	0	0	0	13,636	0	13,636
Karcher Pressure Cleaner	0	6,000	0	0	0	(6,000)
PH6172 - Trailer 7x4 Internal	0	0	0	750	0	750
1TAZ444 - 3 tonne trailer	0	0	0	750	0	750
Heavy Duty Slasher	0	2,800	0	0	0	(2,800)
Water Truck	0	0	0	25,000	0	25,000
	151,921	566,500	146,819	426,136	(5,102)	(140,364)

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

21. INFORMATION ON BORROWINGS

(a) Debenture Repayments

Particulars	Principal 1-Jul-09 \$	New Loans \$	Principal Repayments		Principal 30-Jun-10		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance								
Admin/Civic Centre Upgrade 117	123,808		33,021	33,021	90,787	90,787	6,340	6,327
Law, Order & Public Safety								
State Emergency Services Shed 123	320,895		23,823	23,823	297,072	297,072	19,515	20,036
Education & Welfare								
HACC House Upgrade 122	382,017		28,361	28,361	353,656	353,656	23,232	23,852
Housing								
Staff Housing 106	563,538		97,916	97,916	465,622	465,622	37,332	37,332
Staff Housing 107	269,671		48,167	48,167	221,504	221,504	14,385	14,385
Staff Housing - Morgans Street 125	1,500,000		37,137	38,390	1,462,863	1,461,610	102,524	100,310
Staff Housing - Morgans Street 127	0	2,203,000	68,515	30,434	2,134,485	2,172,566	30,945	84,840
Staff Housing Airport	0		0	18,876	0	0	0	50,474
Community Amenities								
Underground Power (a) 124	386,983		186,950	186,950	200,033	200,033	23,856	23,887
Waste Water Treatment	0		0	7,913	0	0	0	22,402
Recreation & Culture								
St Matthews Church 121	54,787		54,787	4,432	0	50,355	2,483	3,211
Aquatic Centres 112	567,909		55,708	55,708	512,201	512,201	37,188	37,188
Swimming Pool Extensions 114	334,139		31,431	31,431	302,708	302,708	18,898	18,898
JD Hardie Upgrade 118	11,340		11,340	11,340	0	0	296	296
JD Hardie Upgrade - 2	0		0	9,739	0	9,739	0	27,465
Netball Courts 119A	41,579		41,579	11,052	0	30,527	2,141	2,230
Gratwick Pool 119B	29,105		29,105	7,736	0	21,369	1,634	1,561
Tennis Courts 120	33,263		8,841	8,841	24,422	24,422	1,784	1,784
PH Gold Club (*) 111	10,814		4,816	4,816	5,998	5,998	521	520
Yacht Club (Carried Forward*)	0	500,000	4,977	4,261	495,023	495,739	8,592	12,277
Multi-purpose Recreation Centre	0		0	26,782	0	0	0	74,715
Marquee Park	0		0	10,104	0	822,395	0	28,477
Transport								
Depot 113	73,882		23,072	23,072	50,810	50,810	4,436	4,427
Economic Services								
Port Hedland Visitors' Centre 116	78,927		3,993	3,993	74,934	74,934	4,524	4,513
	4,782,657	2,703,000	793,539	727,158	6,692,118	7,644,569	340,626	601,407

(*) Self supporting loan financed by payments from third parties.
All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2009/10

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Staff Housing - Morgans St	2,203,000	2,500,000	Unknown	Debenture	20	2,110,944	6.75%	2,203,000	2,500,000	0
Staff Housing - Airport	0	1,500,000	Unknown	Debenture	20	1,274,006	6.75%	0	1,500,000	0
JD Hardie Upgrade 2	0	800,000	Unknown	Debenture	15	688,149	6.75%	0	800,000	0
Marquee Park	0	830,000	Unknown	Debenture	15	713,257	6.75%	0	830,000	0
Waste Water Treatment	0	650,000	Unknown	Debenture	5	562,608	6.75%	0	650,000	0
Yacht Club	500,000	350,000	Unknown	Debenture	20	311,527	6.75%	500,000	350,000	0
Multi Purpose Recreation Centre	0	2,200,000	Unknown	Debenture	20	1,859,862	6.75%	0	2,200,000	0

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

21. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1-Jul-09 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-Jun-10 \$
Staff Housing - Morgans Street	30/06/2010	0	2,203,000	2,203,000	0
		0	2,203,000	2,203,000	0

(d) Overdraft

Council has an overdraft facility of \$50,000 with National Australia Bank to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2009 and 30 June 2010 was \$Nil.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

22. RATING INFORMATION - 2009/10 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential General Rate											
GRV Residential	4.1000	4,605	171,535,326	7,032,948	319,316	4,524	7,356,788	7,032,948	352,920	0	7,385,868
GRV Commercial	4.8810	410	25,827,048	1,260,618	125,468	546	1,386,632	1,257,454	0	0	1,257,454
GRV Industrial	4.1000	30	20,216,490	828,876	19,074	0	847,950	828,876	0	0	828,876
GRV Shopping Centre	8.2000	2	6,801,360	557,712	0	0	557,712	557,712	0	0	557,712
UV Mining Improved	23.6711	98	1,483,783	351,228	10,619	5	361,852	350,856	0	0	350,856
UV Mining Vacant	23.6710	263	496,096	115,257	(4,657)	16	110,616	115,594	0	0	115,594
UV Pastoral	11.8374	12	526,666	62,344	0	0	62,320	62,344	0	0	62,344
UV Other	11.8374	14	863,455	102,211	(737)	0	101,474	102,211	0	0	102,211
UV Other Vacant	11.8373	11	75,000	8,878	0	0	8,878	8,878	0	0	8,878
Non-Rated											
Sub-Totals		5,445	227,825,224	10,320,072	469,059	5,091	10,794,222	10,316,873	352,920	0	10,669,793
Minimum Rates											
	Minimum \$										
GRV Residential	653	521	3,266,454	340,154	0	0	340,154	335,801	0	0	335,801
GRV Commercial	653	166	1,328,057	108,398	0	0	108,398	108,449	0	0	108,449
GRV Industrial	653	21	162,230	13,713	0	0	13,713	13,720	0	0	13,720
UV Mining Improved	653	44	49,797	28,732	0	0	28,732	28,746	0	0	28,746
UV Mining Vacant	653	221	139,953	141,488	0	0	141,488	145,035	0	0	145,035
UV Pastoral	653	2	5,594	1,306	0	0	1,306	1,307	0	0	1,307
UV Other Vacant	653	10	49	6,530	0	0	6,530	6,533	0	0	6,533
Sub-Totals		985	4,952,134	640,321	0	0	640,321	639,591	0	0	639,591
Concessions (refer note 25)							11,434,643				11,309,384
Totals							(99,283)				(103,150)
							11,335,260				11,206,234

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

23. SPECIFIED AREA RATE - 2009/10 FINANCIAL YEAR

No specified area rates were raised in 2009/10.

24. SERVICE CHARGES - 2009/10 FINANCIAL YEAR

No Service Charges were imposed in 2009-10.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2009/10 FINANCIAL YEAR**

Discounts

Council does not offer any discount for early payment of rates.

Incentives

Council expanded the Rates incentive Program providing an incentive to ratepayers who elected to pay rates as per option 1 by 11 September 2009.

Platinum Sponsors

*Virgin Blue:-

\$3,432 - 4 x Fully flexible, fully refundable return tickets to Perth.

*Harvey Norman (in conjunction with the Town of Port Hedland):-

\$1,500 - Laptop Computer

\$1,099 - 32 inch LCD Television

\$739 - Dishwasher

\$689 - Washing Machine

\$400 - Digital Camera

\$400 - Wii Computer Package

\$270 - Espresso Machine

*North West Telegraph

\$2,000 - Advertising for business or personal advertisements.

Gold Sponsors

*Atlas Iron Limited:-

\$1,000 - Cash

*National Australia Bank

\$1,000 - Cash

*O'Donnell Griffin:-

\$1,000 - Cash

*Rio tinto - Dampier Salt:-

\$1,000 - Cash

Silver Sponsor

*Westpac Banking Corporation:-

\$500 - Bank account with Westpac

Bronze Sponsors

*Perth Ambassador Hotel:-

\$370 - Two nights accommodation in a refurbished Deluxe Room including Full Buffet Breakfast for two people.

*Goodearth Hotel - Perth:-

\$295 - Overnight accommodation in a one bedroom apartment including Full Buffet breakfast for four guests.

*Elisi Therapies:-

\$110 - Beauty Therapy

*Freo Group

\$100 - Cash

*Town of Port Hedland

\$1,500 - Holiday Package for 2 to Bali including return flights, 7 nights accommodation, breakfast and transfers.

\$600 - 6 x \$100 food vouchers

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

Concessions

Council in accordance with Section 6.47 of the Local Government Act 1995 (as amended) allows for a concession of rates on the following properties:

100% Concession

A130114 - Sub Lot 5812 Reserve 39012, South Hedland	Lotteries House
A127580 - Portion 6 Anderson St, Port Hedland	Business Enterprise Centre
A406870 - Lot 2916 Stanley St South Hedland	Youth Involvement Centre
A106284 - 9 Hamilton St, South Hedland	Benara Maya Hostel
A130290 - Lot 5915 McGregor St, Port Hedland	Freemasons Homes for Aged
A156300 - Lot 4508 Shoata Road, South Hedland	Port Hedland Pistol Club
A156260 - Location 118 of Forrest Location	Port Hedland Speedway Club
A802207 - Lot 2466 Lawson St, South Hedland	Youth Involvement Centre
A156550 - Lots 55, 56, 57 McKay St Port Hedland	Volunteer Marine Rescue Service
A113872 - Lot 43, 10 Steamer Ave, South Hedland	Baptist Church Manse
A802155 - Lot 5164 Shoata Rd, South Hedland	South Hedland Owners and Trainers
A803501 - Lot 309 Hamilton rd, South Hedland	Wangka Maya Language Centre
A106282 - 1-5 Hamilton Rd, South Hedland	Wirraka Maya Health Service
A113807 - 3 Daylesford Close, South Hedland	Wirraka Maya Health Service
A116100 - 9 Morgans St, South Hedland	Wirraka Maya Health Service

50% Concession

A154780 - 4 Treloar St, South Hedland	Treloar Child Care Centre
A402430 - Lot 2513 Dempster St, South Hedland	Len Taplin Centre

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

26. INTEREST CHARGES AND INSTALMENTS - 2009/10 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%	57	72,211	40,000
Interest on Unpaid Underground Power Charge	6.41%		0	79,000
Interest on Instalments Plan	5.50%		39,622	20,000
Charges on Instalment Plan		57	40,527	25,000
			<u>152,360</u>	<u>164,000</u>

Ratepayers had the option of paying rates in four equal instalments, due on 11th September 2009, 13th November 2009, 13th January 2010 and 18th March 2010. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES	2010 \$	2009 \$
Governance	3,015	2,830
General Purpose Funding	82,320	95,781
Law, Order, Public Safety	99,805	77,434
Health	56,668	37,511
Education and Welfare	0	0
Housing	0	0
Community Amenities	5,475,127	3,575,337
Recreation and Culture	612,756	559,065
Transport	9,327,587	6,870,564
Economic Services	2,057,131	1,294,438
Other Property and Services	174,440	120,000
	<u>17,888,849</u>	<u>12,632,960</u>

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

28. GRANT REVENUE	2010			2009
	\$			\$
By Nature and Type:				
Operating Grants, Subsidies and Contributions	3,316,330			7,670,669
Non-Operating Grants, Subsidies and Contributions	9,610,522			33,688,222
	<u>12,926,852</u>			<u>41,358,891</u>
By Program:				
Governance	115,416			1,472,207
General Purpose Funding	1,917,124			3,169,240
Law, Order, Public Safety	107,542			610,208
Health	24,933			524
Education and Welfare	205,511			955,711
Housing	5,093			943
Community Amenities	1,650			17,563
Recreation and Culture	1,490,636			878,759
Transport	3,095,701			2,394,032
Economic Services	5,642,196			31,559,775
Other Property and Services	321,050			299,929
	<u>12,926,852</u>			<u>41,358,891</u>
	2010	2010		2009
	\$	Budget		\$
		\$		
29. COUNCILLORS' REMUNERATION				
The following fees, expenses and allowances were paid to council members and/or the president.				
Meeting Fees	68,193	70,000		71,750
Mayor's Allowance	60,000	60,000		45,000
Deputy Mayor's Allowance	18,750	15,000		11,250
Travelling Expenses	19,823	20,000		16,726
Telecommunications Allowance	20,981	21,600		21,600
Technology Allowance	7,492	9,000		8,000
	<u>195,239</u>	<u>195,600</u>		<u>174,326</u>
30. EMPLOYEE NUMBERS	2010			2009
The number of full-time equivalent employees at balance date	<u>134</u>			<u>149</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

31. MAJOR LAND TRANSACTIONS

Port Hedland International Airport: Transient Workforce Accommodation

(a) Details

In March 2009 the Town of Port Hedland entered into a lease agreement with Compass Group Pty Ltd for the development of a Transient Workforce Accommodation area at the Port Hedland International Airport. The land associated with the venture is owned freehold by the Town of Port Hedland, and the major land transaction requires no expenditure by the Town other than staff time and legal costs associated with the preparation of the lease and deed of covenant documents. The financial return of approximately \$8.6 million over the term of the lease will increase the net operating income of the Town, which will consequently give additional funds to provide improved services and facilities for Town of Port Hedland residents.

(b) Current year transactions	2010 \$	2010 Budget \$	2009 \$
Operating Revenue			
- Rental Income	815,251	762,649	221,622
Capital Revenue			
- Sale Proceeds	0	0	0
Capital Expenditure			
- Purchase of Land	0	0	0
- Development Costs	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>

The above capital expenditure is included as land held for resale (refer Note 5).

There are no liabilities in relation to this land transaction as at 30 June 2010.

(c) Expected Future Cash Flows

	2011 \$	2012 \$	2013 \$	2014 \$	Total \$
Cash Outflows					
- Development Costs	0	0	0	0	0
- Loan Repayments	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Inflows					
- Lease Revenue	785,528	808,094	833,367	858,368	3,285,357
	<u>785,528</u>	<u>808,094</u>	<u>833,367</u>	<u>858,368</u>	<u>3,285,357</u>
Net Cash Flows	<u>785,528</u>	<u>808,094</u>	<u>833,367</u>	<u>858,368</u>	<u>3,285,357</u>

Port Hedland International Airport - Transient Workforce Accommodation

In December 2009 the Town of Port Hedland entered into a lease agreement with Mia Mia Port Hedland International Airport Pty Ltd for the development of a Transient Workforce Accommodation area at the Port Hedland International Airport. The lease revenue incorporated into the 2010/11 Budget is \$173,228 plus a contribution from the lessor of \$350,000 as an unconditional contribution to the Town of Port Hedland's community projects.

Doctor Accommodation

During 2010/11 the Town of Port Hedland will be commencing a doctor housing project in conjunction with BHP Billiton and the State Government to purchase 2 properties and construct another 3 properties in order to provide housing to doctors in Port Hedland. The total project incorporates funding of \$4.5 million from all parties and has been factored into the 2010/11 budget. A Business Plan will be developed and distributed for consultation as part of the required process.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council assumed responsibility for the Airport Café and Bar during December 2007. The operations of the café and bar have been reported below, but they are also incorporated in the financial statements under Transport and are described within Function 12 of the schedules.

Council committed to operating the cafe and bar for until December 2009, whereby the financial viability was reassessed and it was determined to tender out the service. The cafe and bar are now leased by Bloomoons Pty Ltd and the lease fee has been incorporated in the 2010/11 Budget.

This will be the final year that the Airport Cafe and Bar are incorporated as a Trading Undertaking given the new arrangement.

**AIRPORT CAFÉ AND BAR
STATEMENT OF COMPEREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2010**

	2010 \$	2010 Budget \$	2009 \$
REVENUE			
Sales Café	313,828	514,500	472,409
Sales Bar	259,194	283,800	286,582
Lease Income	29,134	0	0
	<u>602,156</u>	<u>798,300</u>	<u>758,991</u>
EXPENSES			
Employee Costs	(225,749)	(266,954)	(338,114)
Materials and Contracts	(303,538)	(311,000)	(290,480)
Utility Charges	(11,152)	(8,000)	(12,793)
Cleaning	0	(1,000)	0
Other Expenditure	0	(86,614)	(93,832)
	<u>(540,439)</u>	<u>(673,568)</u>	<u>(735,219)</u>
NET RESULT	<u>61,717</u>	<u>124,732</u>	<u>23,772</u>
Other Comprehensive Income			
Total Other Comprehensive I.	0	0	0
TOTAL COMPREHENSIVE IN	<u>61,717</u>	<u>124,732</u>	<u>23,772</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

**AIRPORT CAFÉ AND BAR
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2010**

	2010 \$	2009 \$
CURRENT ASSETS		
Cash and Cash Equivalents	0	7,501
Inventories	0	25,349
TOTAL CURRENT ASSETS	<u>0</u>	<u>32,850</u>
NON-CURRENT ASSETS		
Property, Plant and Equipment	0	2,338
TOTAL NON-CURRENT ASSETS	<u>0</u>	<u>2,338</u>
TOTAL ASSETS	<u>0</u>	<u>35,188</u>
CURRENT LIABILITIES		
Trade and Other Payables	0	13,077
Provisions	0	6,389
TOTAL CURRENT LIABILITIES	<u>0</u>	<u>19,466</u>
NON-CURRENT LIABILITIES		
Provisions	0	349
TOTAL NON-CURRENT LIABILITIES	<u>0</u>	<u>349</u>
TOTAL LIABILITIES	<u>0</u>	<u>19,815</u>
NET ASSETS	<u>0</u>	<u>15,373</u>
EQUITY		
Retained Surplus	0	15,373
TOTAL EQUITY	<u>0</u>	<u>15,373</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

33. FINANCIAL RISK MANAGEMENT

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council.

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2010	2009	2010	2009
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	44,937,866	43,192,407	44,937,866	43,192,407
Receivables	7,801,805	6,917,100	7,801,805	6,917,100
	<u>52,739,671</u>	<u>50,109,507</u>	<u>52,739,671</u>	<u>50,109,507</u>
Financial Liabilities				
Payables	5,530,004	6,252,987	5,530,004	6,252,987
Long Term Borrowings	6,692,117	4,782,657	6,088,188	6,654,537
	<u>12,222,121</u>	<u>11,035,644</u>	<u>11,618,192</u>	<u>12,907,524</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with investments is price risk – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

Cash and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns.

Another risk associated with cash and investments is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	30-Jun-10	30-Jun-09
	\$	\$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	448,223	179,418
- Income Statement	448,223	179,418

Notes:

(*) Sensitivity percentages based on management's expectation of future possible market movements.

Recent market volatility has seen large market movements for certain types of investments.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

33. FINANCIAL RISK MANAGEMENT (Continued)
(b) Receivables

Council's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Council manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

The profile of the Council's credit risk at balance date was:

	30-Jun-10	30-Jun-09
Percentage of Rates and Annual Charges		
- Current	97.85%	98.46%
- Overdue	2.15%	1.54%
Percentage of Other Receivables		
- Current	70.58%	95.47%
- Overdue	27.83%	4.53%

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Borrowings (Continued)

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. Council manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate %
Year Ended 30 June 2010	\$	\$	\$	\$	\$	\$	\$	
Borrowings								
Fixed Rate								
Debtentures	200,033	56,808	802,335	0	0	5,632,942	6,692,118	6.60%
Weighted Average Effective Interest Rate	6.88%	6.44%	6.35%	0.00%	0.00%	6.62%		
Year Ended 30 June 2009								
Borrowings								
Fixed Rate								
Debtentures	136,811	460,865	10,814	157,071	269,671	2,247,425	3,282,657	6.38%
Weighted Average Effective Interest Rate	5.79%	6.82%	6.03%	5.53%	5.58%	6.48%		